Fund 700
Route 28 Tax District

Focus

Fairfax County, in partnership with Loudoun County, formed the Route 28 Highway Transportation Improvement District on December 21, 1987. Under Virginia law such a district may be formed only upon the joint petition of owners of at least 51 percent of the land area in each county which is within the boundaries of the proposed district and which has been zoned or is used for commercial or industrial purposes. The District was formed to provide improvements to State Route 28 which connects State Route 7 in eastern Loudoun County to U.S. Route 50 and Interstate 66 in western Fairfax County, running approximately parallel to the County's western border. State Route 28 provides access to Dulles International Airport, along with the Dulles Access Road, which connects the Capital Beltway to Dulles International Airport. This District was formed upon landowner petition to accelerate planned highway improvements proposed by the state which relied primarily on slower pay-as-you-go financing from the Northern Virginia region's share of the state primary road fund allocation. Under the terms of the agreement with the state, the District will fund 75 percent of defined Phase I and Phase II improvements and the state will fund 25 percent.

The District, administered by a Commission appointed by the Board of Supervisors of both counties, may subject the owners of industrial and commercial property within the District to a maximum additional tax assessment of 20 cents per $100 of assessed value. These funds, in addition to funds received through the State Primary Road Fund allocation formula, are to be used for the road improvements and debt service on bonds issued by the state. Improvements completed for Phase I of the Route 28 project included widening the existing road from two to six lanes and upgrading three major intersections. Legislation authorizing the issuance of Commonwealth Transportation Board (CTB) revenue bonds up to $160.7 million plus issuance expenses to finance the Phase I improvements to Route 28 was enacted during the 1988 Virginia General Assembly and became effective July 1, 1988. This legislation stipulates that the additional tax assessment in the District and funds allocated to the highway construction district, in which Route 28 lies, would reimburse the state for its debt service payments on its bonds. The Commonwealth issued $138.5 million in revenue bonds for the District in September 1988.

Fairfax County and Loudoun County have entered into a contract with the District and agreed to levy an additional tax assessment, as requested by the District, collect the tax, and pay all tax revenues to a Fiscal Agent for distribution. The contract specifies that the counties shall pay all revenues collected on behalf of the District to Trustees jointly designated by the CTB and the counties, and the District in turn shall notify the County of the required payment and request a rate sufficient to collect that amount, up to a maximum of 20 cents per $100 of assessed value. The rate is set at 20 cents per $100 dollars of assessed value and to date, the District Commission has not proposed a rate reduction in anticipation of expenditure requirements for the next and final phase of planned improvements.

In FY 2006, an amount of $9,260,099 has been included for Fairfax County collections based on estimated tax collections plus an allowance for potential property buy-outs, late payments and penalties. FY 2001 was the first year in its history that the District was able to pay the entire debt service requirement without state contributions. In accordance with the terms of the contract, the District must pay the full debt requirement for two years before the tax rate can be reduced.

In August 2002 Fairfax County, Loudoun County, the Commonwealth Transportation Board and the Fairfax County Economic Development Authority (EDA) entered into new contractual agreements that will provide for construction of a portion of additional improvements on Route 28 (Phase II improvements). Specifically, six separated grade interchanges will be constructed to ease traffic congestion. Funding totaling $201.7 million is made available from a joint financing plan that provides $75.4 million from CTB funds allocated from the state six-year primary and secondary road plan, approximately $36.4 million of remaining CTB Route 28 bond authorization, and $90 million of bond funds to be issued by the EDA and supported by the two counties. The funded Phase II improvements are expected to cost $198.3 million to complete. The remaining $3.5 million surplus is available as contingency or for future improvements. Remaining unfunded Phase II improvements include the completion of four other interchanges and widening a portion of the highway to eight lanes. Funding for these improvements will be addressed at a later date.

Fund 700
Route 28 Tax District

All bond issues will be fully supported by District tax revenue. In order to maximize revenues available for new debt service, the CTB refunded its outstanding 1992 bonds in October 2002. At the same time the CTB issued $36.4 million of new bonds for construction, representing the balance of bond authorization remaining from the 1988 acts of the General Assembly. The Fairfax County EDA issued Transportation Contract Revenue bonds in the amount of $33.375 million in October 2003 and issued $57.4 million in August 2004. In the event that District revenues are not sufficient to make debt service payments, the state bonds are backed by the appropriated state allocations to the Northern Virginia Transportation District. The EDA bonds will be supported by a Revenue Stabilization Fund (RSF) equal to maximum annual EDA debt service created from surplus revenue collections. As a further credit enhancement for the proposed EDA bonds, both Fairfax and Loudoun Counties have pledged a joint moral obligation in the event that tax revenues and the RSF are not sufficient to support EDA debt service. Also, the Series 2004 Bonds are guaranteed under a separate insurance policy by MBIA Insurance Corporation. The following chart depicts the financing structure and summary of past contributions and payments.

Route 28 Project Financing Plan

Pre-October 2002 Contributions and Expenditures[1]

Local Revenues Applied	Present Value of District Obligation Paid	Transportation Board Payments Made	Present Value of Transportation Board Payments	Special Tax Revenues and Investment Earnings on Hand 10/10/02
$87,809,985	$56,518,295	$36,174,633	$25,355,615	$6,408,259

[1] Source: *Financial Report: State Route 28 Highway Transportation Improvement District*, Virginia Department of Transportation, September 10, 2002 and CTB Series 2002 closing documents. Presented for historical reference.

Current Bonds

Bond Year (April 1)	District Revenues[1]	CTB Annual Debt Service[2]	EDA Annual Debt Service[3]	Total Annual Debt Service	Excess Revenues	Cumulative Excess Revenues[4]
Balance Fwd						$6,408,259
2003	$5,836,398	$4,656,294	$0	$4,656,294	$1,180,104	7,588,363
2004	12,676,429	7,523,176	3,127,943	10,651,119	2,028,310	9,616,673
2005	13,487,707	7,531,145	3,676,138	11,207,283	2,280,424	11,897,097
2006	16,016,839	7,528,145	4,169,446	11,697,591	4,319,248	16,216,345
2007		7,529,845	4,169,446	11,699,291		
2008		7,524,883	4,169,446	11,694,329		
2009		7,530,713	4,169,446	11,700,159		
2010		7,528,150	4,529,446	12,057,596		
2011		7,528,835	5,148,566	12,677,401		
2012		7,529,625	5,601,701	13,131,326		
2013		7,530,300	5,837,713	13,368,013		
2014		7,528,050	5,630,263	13,158,313		
2015		7,531,800	5,672,350	13,204,150		
2016		7,530,550	5,716,810	13,247,360		
2017		7,528,800	5,888,810	13,417,610		

Bond Year (April 1)	District Revenues[1]	CTB Annual Debt Service[2]	EDA Annual Debt Service[3]	Total Annual Debt Service	Excess Revenues	Cumulative Excess Revenues[4]
2018		7,525,800	6,270,000	13,795,800		
2019		8,100,000	6,406,763	14,506,763		
2020		8,100,000	7,122,200	15,222,200		
2021		8,105,000	7,117,375	15,222,375		
2022		8,105,000	7,119,325	15,224,325		
2023		8,105,000	7,120,975	15,225,975		
2024		8,105,000	7,121,000	15,226,000		
2025		8,105,000	7,117,250	15,222,250		
2026		8,105,000	7,122,750	15,227,750		
2027		8,105,000	7,116,500	15,221,500		
2028		8,105,000	7,118,500	15,223,500		
2029		8,105,000	7,117,750	15,222,750		
2030		8,105,000	7,119,500	15,224,500		
2031		8,105,000	7,117,250	15,222,250		
2032		8,105,000	7,120,500	15,225,500		
2033			7,118,250	7,118,250		
Total	N/A	$231,046,111	$179,853,412	$410,899,523	N/A	N/A

[1] FY 2003 represents partial year tax revenue and interest collections from October 1, 2002 to April 1, 2003. Tax district revenues for FY 2004 represent all revenue collected from April 2, 2003 through April 1, 2004. FY 2005 and FY 2006 are estimates of combined Fairfax and Loudoun collections plus estimated interest earnings on revenue, debt service reserve and revenue stabilization fund accounts. Actual revenues may also include district buy-out proceeds.

[2] CTB Revenue Refunding and Revenue Bond Debt Service issue of September 26, 2002.

[3] Based on completion of EDA bond issues in 2003 and 2004 for an aggregate amount of $90,785,000. Sale of the Series 2003 bonds in the amount of $33,375,000 was completed on October 29, 2003. Sale of the Series 2004 bonds in the amount of $57,410,000 was completed on August 19, 2004.

[4] Balance Forward represents funds on account with CTB and transferred to the Fiscal Agent upon refunding the 1992 bonds and new money bonds issued October 2002. Excess revenues in succeeding years will accumulate to the credit of the RSF until an amount equal to maximum annual debt service is achieved. Excess revenues available after achieving full RSF funding will be held with the Fiscal Agent and may be used to fund deficiencies in the Debt Service Fund, additional Phase II improvements or reduce the tax rate in accordance with the District Contract. The tax rate may not be reduced until the District has recorded at least two successive years of excess revenues.

FY 2006 Funding Adjustments

The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- **Fiscal Agent Payments** **$2,160,099**
  An increase of $2,160,099 in estimated payments to the fiscal agent which includes taxes due of $7,720,509 based on the anticipated January 1, 2005 assessment, an allowance for one time buyouts and late payments of $1,500,000 and appropriation of all funds available in fund balance remaining from prior year collections.

Changes to FY 2005 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2005 Revised Budget Plan since passage of the FY 2005 Adopted Budget Plan. Included are all adjustments made as part of the FY 2004 Carryover Review and all other approved changes through December 31, 2004:

♦ **Carryover Adjustments** **($41,215)**

As part of the *FY 2004 Carryover Review*, the Board of Supervisors reduced expenditures in this fund $41,215 as a result of revised estimates for tax collections, allowance for late payments, penalties, and permitted property buy-outs and interest earnings. This action results in a negative ending balance in FY 2005 which will be adjusted by FY 2005 expenditure adjustments as part of a scheduled quarterly review.

Fund 700
Route 28 Tax District

FUND STATEMENT

Fund Type G70, Agency Funds **Fund 700, Route 28 Tax District**

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Beginning Balance	**$41,215**	**$0**	**$39,590**	**$39,590**
Revenue:				
Real Estate Taxes-Current[1]	$5,777,239	$7,100,000	$5,600,000	$7,720,509
Revenue from Buy Outs	0	0	1,500,000	1,500,000
Interest on Investments	3,554	0	0	0
Total Revenue	$5,780,793	$7,100,000	$7,100,000	$9,220,509
Total Available	**$5,822,008**	**$7,100,000**	**$7,139,590**	**$9,260,099**
Expenditures:				
Payments to the Fiscal Agent	$5,782,418	$7,141,215	$7,100,000	$9,260,099
Total Expenditures	$5,782,418	$7,141,215	$7,100,000	$9,260,099
Total Disbursements	**$5,782,418**	**$7,141,215**	**$7,100,000**	**$9,260,099**
Ending Balance[2]	**$39,590**	**($41,215)**	**$39,590**	**$0**

[1] Estimate to provide for sufficient appropriation includes projected tax collections based on assessments, and allowances for late payments, penalties and permitted property buy-outs. All monies collected are required to be remitted to the Fiscal Agent monthly as collected.

[2] Accumulated interest earned on investments. Interest earnings were appropriated from fund balance in FY 2004 in accordance with the Route 28 interjurisdictional agreements. This action results in a negative ending balance in FY 2005 which will be adjusted by FY 2005 expenditure adjustments as part of a scheduled quarterly review.